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Via Electronic Filing and Hand Delivery

August 19, 2004

Mary L. Cottrell, Secretary
MA Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company Petition for Approval to Issue Long-Term Debt (D.T.E. 04-)

Dear Ms. Cottrell:

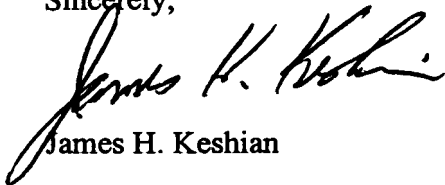
Enclosed for filing with the Massachusetts Department of Telecommunications and Energy ("Department") is an original and two (2) copies of the above-referenced Petition. A check in the amount of \$18,600 payable to the Department is enclosed to cover the filing fee. Please note that Bay State Gas is requesting approval of the enclosed Petition by November 1, 2004.

Also enclosed please find a draft Order of Notice and draft Notice of Public Hearing.

If you have any questions with respect to this filing, please contact me at 508-836-7363 or Robert L. Dewees, Jr. of Nixon Peabody LLP at 617-345-1316.

Thank you for your attention to this matter.

Sincerely,



James H. Keshian

cc: George Yiankos, Director, Gas Division
Kevin Brannelly, Director of Rates and Revenue Requirements
Joseph Rogers, Assistant Attorney General
Robert L. Dewees, Jr., Nixon Peabody LLP

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

BAY STATE GAS COMPANY)
_____))

D.T.E. _____

PETITION OF BAY STATE GAS COMPANY FOR APPROVAL AND AUTHORIZATION
TO ISSUE LONG TERM DEBT UNDER
MASSACHUSETTS GENERAL LAWS, CHAPTER 164 §§14 AND 15

Bay State Gas Company (“Bay State” or the “Company”) hereby petitions the Department of Telecommunications and Energy (“the Department”) for authorization to issue and sell long term unsecured promissory notes in an aggregate amount not to exceed one hundred and twenty million dollars (\$120,000,000), at face value, to its affiliate, NiSource Finance Corp., pursuant to M.G.L. c. 164 §14, and for an exemption from the competitive bidding and advertising requirements of §15. In support of its petition, Bay State states as follows:

1. Bay State is a gas company subject to the provisions of Chapter 164 of the Massachusetts General Laws, as amended.
2. Bay State proposes to issue and sell at face value to its affiliate, NiSource Finance Corp., unsecured long term notes, in an aggregate amount not to exceed one hundred and twenty million dollars (\$120,000,000), hereinafter the “Note(s)”. Up to one hundred and ten million dollars (\$110,000,000) of the proceeds of the proposed financing will be used to pay down short-term debt and fund anticipated capital requirements, and the remainder will be used to refinance a \$10 million long term note maturing in June 2005. Thus, the net effect of the proposed financing would be to increase long-term debt by no more than \$110,000,000. The Company

proposes to issue Notes over the eighteen (18) month period following receipt of Department approval of the Company's proposed financing. The Company anticipates issuing up to \$90 million of the proposed financing by December 31, 2004. The Notes may be issued for terms of ten, fifteen or twenty years. The interest rate for each Note will be market-based and determined by the corresponding applicable Treasury bond rate in effect on the date of issuance, plus a credit spread associated with the Company's financial risk profile. The Company is requesting approval of the method by which such interest rates will be determined, as is explained in Exhibit 1, provided that the Company will submit to the Department a copy of each Note promptly upon its execution. As a result, if the Department approves the methodology for determining the interest rate, as described in Exhibit 1, it will not be necessary for the Company to seek any further approval from the Department.

Attached as Exhibit 1 is the testimony of Vincent Rea, Director of Treasury and Corporate Finance of NiSource, Inc. and an Assistant Treasurer of Bay State and NiSource Corporate Services Company. As explained in Exhibit 1, the proceeds of the proposed issuance will be used to pay down short term debt and refinance long term debt which has matured during the past fourteen months or will mature by June 2005. The proceeds will also be used to fund anticipated capital requirements in support of the Company's public service obligations. A copy of the proposed form of Note between Bay State and NiSource Finance Corp. is attached as Exhibit 2. The proposed form of Note is the same form of note approved by the Department for the Company's most recent long-term debt financing (D.T.E. 02-73).

3. Bay State's outstanding long-term debt as of June 30, 2004 amounted to \$108.5 million and is detailed in Exhibit 3.

4. The Company's outstanding short-term indebtedness as of June 30, 2004 amounted to \$165.4 million and is shown in Exhibit 4.

5. An example of The Federal Reserve Statistical Release, H.15 Selected Interest Rates (Daily), and the Reuters Corporate Spread Utilities report for August 16, 2004 are provided in Exhibit 5.

6. The Company's *pro forma* December 31, 2004 balance sheet reflecting the net effect of the proposed \$120 million financing, and the net effect of the Company issuing \$90 million of long-term debt prior to year end, are set forth in Exhibit 6 and Exhibit 6A, respectively.

7. The analysis set forth in Exhibits 7 and 7A demonstrate that Bay State's net utility plant will exceed its total permanent capitalization, including the net effect of the proposed debt issuance, by a minimum of \$127.1 million. Exhibits 7 and 7A are as of June 30 and December 31, 2004, respectively.

8. The Company's *pro forma* December 31, 2004 capital structure, reflecting the net effect of the proposed \$120 million financing, and the net effect of the Company issuing \$90 million of long-term debt prior to year end, are set forth in Exhibits 8 and 8A, respectively. Bay State has 1,000 authorized shares of common stock, \$1 par value, of which 100 shares are issued and outstanding.

9. In conjunction with this petition for authorization to issue up to \$120 million of long-term debt, the Company will amortize the remaining issuance costs and call premium associated with the Company's early retirement in February 2004 of two 7.625%, \$5 million notes which were due in 2023. The Company will amortize these issuance costs and the call premium as well as the issuance costs for the Notes over the term of the first Note issued.

10. The Unanimous Written Consent of the Company's Board of Directors approving the proposed financing is attached as Exhibit 9.

11. Upon approval of this petition, and pursuant to M.G.L. c. 164 §85A, Bay State will file with the Department an executed copy of each Note issued within ten (10) days of issuance.

12. Pursuant to M.G.L. c. 164 §15, the Company requests that the Department grant an exemption from the advertising and competitive bid requirements of §15 given that (i) the interest rate that the Notes will bear will reflect market rates, (ii) the financing proposed by the Company provides it with greater financial flexibility than would a debt issuance obtained

through the public bid process, and (iii) through the avoidance of transaction costs, as explained in Exhibit 1, the financing proposed by the Company in this petition provides cost savings to the Company in excess of \$900,000.

13. The issuance of long-term debt proposed in this petition will comply with M.G.L. c. 164 §16, as following the issuance, the Company's net plant will exceed its permanent capitalization.

14. The proposed issuance and sale of debt securities is consistent with M.G.L. c. 164 §§14,15 and 16 and should be approved and authorized by the Department.

WHEREFORE, Bay State respectfully requests:

1. That the Department find that the proposed debt issuance (i) is reasonably necessary to finance the Company's public service obligations, and (ii) will not impair the value of the Company's existing capital structure; and

2. That the Department authorize and approve the debt issuance as described herein pursuant to M.G.L c. 164 §§14 and 16 on or before November 1, 2004; and

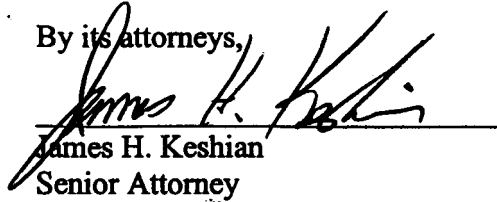
3. That the Department find that the granting of an exemption from the requirements of M.G.L. c. 164 §15, with respect to the proposed debt issuance is in the public interest and that the Department grant such exemption; and

4. That the Department authorize the Company to do all things, take all steps, and execute and deliver all documents necessary to implement the proposed financing, and

5. That the Department make the findings and grant the authorization herein sought and take such further steps and make such further findings and orders as in its judgment may be necessary and consistent with this petition.

Respectfully submitted,
BAY STATE GAS COMPANY

By its attorneys,


James H. Keshian

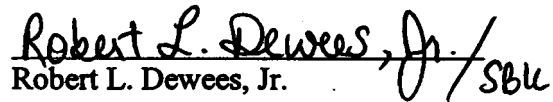
Senior Attorney

Nisource Corporate Services Company

300 Friberg Parkway

Westborough, MA 01581

(508) 836-7363


Robert L. Dewees, Jr.

Nixon Peabody LLP

100 Summer Street

Boston, MA 02110

(617) 345-1316

Dated: August 18, 2004

1
2
3 **BAY STATE GAS COMPANY**
4 **DIRECT TESTIMONY OF VINCENT REA**
5 **BEFORE THE DEPARTMENT OF**
6 **TELECOMMUNICATIONS AND ENERGY**

7 Q. Please state your name and employer.

8 A. My name is Vincent Rea. I am employed by NiSource Corporate Services Company
9 ("NCSC").

10
11 Q. What is your position with NCSC?

12 A. I am the Assistant Treasurer.

13
14 Q. Do you hold a position with Bay State Gas Company ("Bay State" or the "Company")?

15 A. Yes. I am the Assistant Treasurer.

16
17 Q. Do you hold a position with NiSource, Inc.?

18 A. Yes. I am Director of Treasury and Corporate Finance.

19
20 Q. What are your responsibilities as Director of Treasury and Corporate Finance?

21 A. As Director of Treasury and Corporate Finance I am responsible for external capital
22 raising activities for NiSource, Inc. and inter-company financing activities between all
23 NiSource subsidiaries.

24
25 Q. Please describe your educational background and previous work experience.

26 A. I received a M.B.A. in Finance from Indiana University – Bloomington, Indiana and a
27 B.A. in Accounting/Finance from Lake Forest College – Lake Forest, Illinois. I
28 previously held positions of Vice President & Treasurer of ABC-NACO, Inc., an \$800
29 million publicly traded manufacturer of rail and flow control industrial products in

1 Chicago, IL, Assistant Treasurer of Safety-Kleen Corp., Elgin, IL, and Manager of
2 Finance with Motorola, Inc. in Schaumburg, IL.

3
4 Q. Do you hold any professional designations?

5 A. Yes. I am a “Certified Public Accountant—State of Illinois” and a “Certified Treasury
6 Professional”.

7
8 Q. Are you a member of any industry or professional organizations?

9 A. Yes. I am a member of the American Institute of Certified Public Accountants and
10 Association for Financial Professionals (Formerly Treasury Management Association).

11
12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to explain Bay State’s proposal to issue and sell up to
14 \$120 million in long-term notes to its affiliate NiSource Finance Corp. (the “Notes”).

15
16 Q. Have you previously testified in regulatory proceedings?

17 A. Yes. I have testified before the Department of Telecommunications and Energy regarding
18 several matters, including Bay State’s participation in the NiSource, Inc. Money Pool
19 (D.T.E. 01-75) and Bay State’s request for approval and authorization to issue up to \$50
20 million in long-term debt (D.T.E. 02-73). I have also submitted testimony to the New
21 Hampshire Public Utilities Commission and the Maine Public Utilities Commission.

22
23 Q. Please describe Exhibits 1 through 9.

24 A. Exhibit 1 is my prefiled testimony; Exhibit 2 is a copy of the proposed form of Note
25 between Bay State and NiSource Finance Corp.; Exhibit 3 details the Company's
26 outstanding long-term debt as of June 30, 2004; Exhibit 4 identifies the Company short-
27 term debt balance, as of June 30, 2004; Exhibit 5 provides an example of the information

1 contained in The Federal Reserve Statistical Release, H.15 Selected Interest Rates (Daily)
2 and Reuters Corporate Spread for Utilities. Exhibit 6 is the Company's *pro forma*
3 December 31, 2004 balance sheet reflecting the net effect of the proposed \$120 million
4 financing; Exhibit 6A is the Company's *pro forma* December 31, 2004 balance sheet
5 reflecting the net effect of the Company issuing only \$90 million of long-term debt prior
6 to year end; Exhibits 7 and 7A provide comparisons of the Company's net utility plant
7 and its permanent capitalization as of June 30 and December 31, 2004, respectively; and
8 Exhibit 8 is the Company's *pro forma* capitalization as of December 31, 2004, reflecting
9 the net effect of the proposed \$120 million financing; Exhibit 8A is the Company's *pro*
10 *forma* capitalization as of December 31, 2004 reflecting the net effect of the Company's
11 issuance of only \$90 million of long-term debt prior to year end. Exhibit 9 is the
12 Unanimous Written Consent of the Company's Board of Directors authorizing the
13 proposed financing.
14

15 Q. Do you wish to incorporate these Exhibits as part of your testimony?

16 A. Yes.
17

18 Q. Please provide an overview of the Company's proposed transaction.

19 A. Bay State is proposing to issue Notes following the Department's approval of the
20 Company's proposed financing to its affiliate, NiSource Finance Corp., in the aggregate
21 amount not to exceed one hundred twenty million dollars (\$120,000,000). The net effect
22 of the proposed financing would be a \$110,000,000 increase to long-term debt as \$10
23 million of the proceeds would be used to refinance a long term note maturing in June
24 2005. The Company proposes to issue the Notes over the eighteen (18) month period
25 following the Department's approval of the Company's proposed financing. The
26 Company anticipates issuing up to \$90 million of the proposed financing prior to
27 December 31, 2004. The Notes may be for terms of ten, fifteen or twenty years. As

1 explained below, at issuance, each Note will bear a market interest rate, a rate similar to
2 those offered to companies with financial profiles similar to Bay State's.

3
4 Q. What will be the use of the proceeds from the proposed transaction?

5 A. As to the issuance of up to \$90 million of long term debt prior to December 31, 2004, the
6 Company anticipates using the proceeds as follows: \$37 million of the proceeds to
7 refinance long term debt maturities and early redemptions which have occurred over the
8 preceding fourteen months; and \$53 million to refinance short term debt that currently
9 supports long-term utility plant assets. In addition, the remaining proceeds from the
10 proposed transaction will be used to refinance an upcoming long-term maturity of \$10
11 million (i.e., by June 2005), and fund anticipated capital requirements in support of the
12 Company's public service obligations.

13
14 Q. Please provide the rationale for the proposed debt issuance.

15 A. The rationale underlying the proposed issuance is to fund long-term utility assets
16 currently supported with short-term financing (as demonstrated on Exhibit 7) with long-
17 term debt, and to move the Company toward its targeted capital structure. Further, the
18 Company needs to refinance approximately \$37 million of its long-term debt which
19 matured or was retired over the preceding fourteen months. The Company temporarily
20 rolled over such debt as short term debt. Also in June 2005, the Company will have an
21 additional \$10 million of long-term debt maturing which it will need to refinance. The
22 Company determined that Notes issued to NiSource Finance Corp., an affiliate of Bay
23 State, would be the most cost effective, and timely long-term financing alternative, and
24 would provide the Company with maximum financial flexibility.

25
26 Q. How will the interest rate of each Note be determined and will such rates reflect market
27 conditions?

1 A. The interest rate for each Note will correspond to the pricing being offered companies
2 with financial profiles similar to Bay State and will reflect market conditions at the time
3 of issuance. The interest rate of the Notes will be determined by the corresponding
4 applicable Treasury yield (as reported in Federal Reserve Statistical Release, H.15
5 Selected Interest Rates (Daily) effective on the date a Note is issued, plus the yield spread
6 on corresponding maturities for utilities with a credit risk profile equivalent to the
7 Company's (as reported by Reuters Corporate Spreads for Utilities) effective on the date
8 a Note is issued. For maturities not specifically referenced in the Statistical Release or
9 Reuters, the Company will calculate the interest rate based upon a simple linear
10 interpolation method. The Reuters Corporate Spreads for Utilities assigns yield spreads
11 based on a company's Standard and Poor's and Moody's debt ratings. The Company's
12 senior secured debt is currently rated BBB by Standard and Poor's and Baa2 by
13 Moody's, both with a stable outlook. Exhibit 5 provides examples of the Federal Reserve
14 H.15 Statistical Release and the Reuters Corporate Spreads for Utilities reports effective
15 for August 16, 2004. In addition, the interest rate that a Note will bear, consistent with
16 rules promulgated under The Public Utility Holding Company Act of 1935 and with
17 Securities and Exchange Commission policies, will reflect no mark-up by the lender,
18 NiSource Finance Corp.

19
20 Q. Would the Company be able to obtain a more favorable financing in a public bidding
21 arrangement?

22 A. No, given that the proposed financing will be at market-based rates and that the proposed
23 financing will avoid significant transaction costs that would otherwise be associated with
24 a public offering. By financing through its affiliate, Bay State avoids underwriting
25 commissions which on a transaction of this magnitude could be in the range of .60% -
26 .65% of the principal. Thus, through the proposed financing Bay State will avoid
27 underwriting commissions of \$720,000 to \$780,000. In addition, through the proposed

1 financing, the Company will not incur incremental legal fees, accounting and auditing
2 fees, rating agency fees, or other transaction fees. These additional costs would likely be
3 in the range of \$225,000 to \$300,000. The total avoided transactional costs associated
4 proposed financing with NiSource Finance Corp. range from \$945,000 to \$1,080,000.
5

6 Q. Please describe any other advantages of the proposed financing.

7 A. The proposed financing provides additional advantages to the Company. It will provide
8 the Company with maximum financial flexibility allowing it to take advantage of
9 favorable interest rates and market conditions as they arise. Also, after its first
10 anniversary, any debt issued under the proposed financing may be redeemed by the
11 Company prior to maturity, without payment of a call or early redemption premium.
12 This is a significant benefit to the Company, as under current market conditions, similar
13 forms of long term debt carry “make whole” provisions, which assess significant early
14 redemption or call premiums. Furthermore, having the flexibility to choose between 10,
15 15 and 20 year maturities allows the Company to ladder its maturities, avoiding excessive
16 refinancing and interest rate risk in any particular year.
17

18 Q. What is Bay State’s current level of outstanding debt?

19 A. As shown in Exhibit 3, as of June 30, 2004 the Company had \$108.5 million of long term
20 debt at interest rates ranging from 5.40% to 9.20% including maturities due June 21,
21 2005 of \$10 million, as noted on Exhibit 3. Also at June 30, 2004, and as noted in
22 Exhibit 4, Bay State had \$165.4 million of short-term debt outstanding.
23

24 Q. What is the net effect of the proposed transaction to the Company’s balance sheet?

25 A. As shown in Exhibit 6, the *pro forma* change to the Company’s December 31, 2004
26 balance sheet would be to reduce Bay State’s short-term debt by an amount not to exceed
27 \$110 million and increase long-term debt by a similar amount. The net effect of the

1 proposed financing would be a \$110,000,000 increase to long-term debt as \$10 million of
2 the proceeds would be used to refinance a long-term note maturing in June 2005. Exhibit
3 6A shows the *pro forma* change to the Company's balance sheet as of December 31,
4 2004 if it were to issue \$90 million of long-term debt by year end.

5
6 Q. Please explain the net effect of the proposed transaction and financing plan on the
7 Company's capital structure.

8 A. Exhibit 8, on a *pro forma* basis, demonstrates that the Company's capitalization as of
9 December 31, 2004, would total approximately \$421.3 million and consist of 52% debt
10 capital and 48% equity capital, assuming the entire proposed financing was completed
11 prior to year end. Exhibit 8A, on a *pro forma* basis, demonstrates that the capitalization
12 ratios would reflect 49% long term debt capital and 51% equity capital as of December
13 31, 2004, assuming \$90 million of long term debt financing prior to year end. Exhibits 7
14 and 7A demonstrate that the Company's net utility plant exceeds its permanent
15 capitalization, including the proposed debt issuance, by at least \$127.1 million.

16
17 Q. Has the Company's Board of Directors approved the proposed transaction?

18 A. Yes. The consent of Bay State's Board of Directors with respect to the proposed
19 transaction is attached as Exhibit 9.

20
21 Q. When would Bay State expect to complete the proposed transaction?

22 A. Bay State anticipates issuing up to \$120 million of Notes within eighteen (18) months of
23 receiving necessary Department approvals. The Company anticipates completing up to
24 \$90 million of the proposed financing on or before December 31, 2004. The Company is
25 requesting an order from the Department by November 1, 2004 in order that it be able to
26 issue the \$90 million by year end.

1 Q. Has the Company previously requested and received Department approval of a financing
2 similar to the financing being proposed in this proceeding?

3 A. Yes. The Company in D.T.E. 02-73 requested and received Department approval of a
4 very similar financing proposal involving the issuance of long-term notes to NiSource
5 Finance Corp. The proposed form of Note in this proceeding is the same form of note
6 approved by the Department in D.T.E. 02-73.

7

8 Q. Does this conclude your testimony?

9 A. Yes, it does.

PROMISSORY NOTE

[Up to \$120,000,000]

Issue Date: **X Date**, 200XDue Date: **X Date**, 20XX

FOR VALUE RECEIVED, the undersigned, Bay State Gas Company, a Massachusetts corporation ("Borrower"), hereby unconditionally promises to pay to NiSource Finance Corp., an Indiana corporation ("Lender"), at such place as Lender may from time to time designate in writing, in lawful money of the United States of America, the principal sum of **[not to exceed One Hundred Twenty Million and 00/100 Dollars (\$120,000,000)]** together with interest on the principal balance hereof from time to time outstanding at the rate of **[X %]** per annum from the date such principal is advanced until payment in full thereof. The principal indebtedness evidenced hereby shall be payable on **X Date**, 20XX. Borrower may prepay the principal amount hereof in whole or in part, without premium or penalty, at any time after the first anniversary of the date hereof. Any payment on this Note shall be applied first to accrued but unpaid interest until paid in full and second to the unpaid principal amount hereof.

Interest shall be payable semi-annually in arrears on the first business day of June and December (commencing on _____) and on the date on which the principal balance hereof is paid in full. Interest shall be calculated on the basis of a 365 day year for the actual number of days elapsed. Notwithstanding the foregoing, in no contingency or event whatsoever shall interest charged hereunder, however such interest may be characterized or computed, exceed the highest rate permissible under any law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that Lender has received interest hereunder in excess of the highest rate applicable hereto, Lender shall promptly refund such excess interest to Borrower.

Borrower shall be in default hereunder if: (a) any amount payable to Lender under this Note is not paid within five (5) business days of the date it is due, (b) Borrower shall make any assignment for the benefit of creditors, or (c) there shall be commenced any bankruptcy or insolvency proceedings by or against Borrower. Upon and after the occurrence of a default hereunder, this Note may, at the option of Lender, and without demand, notice or legal process of any kind, be declared, and thereupon immediately shall become, due and payable in full.

Presentment, protest and notice of nonpayment and protest are hereby waived by Borrower.

This Note has been delivered at and shall be deemed to have been made at Merrillville, Indiana, and shall be interpreted, and the rights and liabilities of the parties hereto determined, in accordance with the internal laws (as opposed to conflicts of law provisions) and decisions of the State of Indiana. Whenever possible each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provisions of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note. Whenever in this Note reference is made to Lender or Borrower, such reference shall be deemed to include their respective representatives, successors and assigns. Notwithstanding anything herein to the contrary, Borrower may not assign or otherwise transfer any of its rights or obligations under this Note without the prior written consent of Lender.

IN WITNESS WHEREOF, the undersigned has executed this Note on the issue date set forth above.

BAY STATE GAS COMPANY

By: _____

Title: _____

BAY STATE GAS COMPANY
LONG-TERM DEBT OUTSTANDING
AS OF JUNE 30, 2004

DESCRIPTION	AMOUNT	PERCENT OF TOTAL
9.20% notes, due 6/6/2011	\$8,500,000	8%
6.43% notes, due 12/15/2025	\$10,000,000	9%
6.26% notes, due 2/15/2028	\$30,000,000	28%
5.40% notes, due 3/21/2013	\$50,000,000	46%
Current Maturity, due 6/21/2005	\$10,000,000	9%
TOTALS	\$108,500,000	100%

BAY STATE GAS COMPANY
SHORT-TERM DEBT OUTSTANDING
AS OF JUNE 30, 2004

<u>DESCRIPTION</u>	<u>AMOUNT</u>	<u>PERCENT OF TOTAL</u>
MONEY POOL	\$165,389,000	100%
TOTAL	\$165,389,000	100%

**BAY STATE GAS COMPANY
SAMPLE H.15/REUTERS REPORTS**

Federal Reserve Statistical Release



H.15

Selected Interest Rates (Daily)

Release Date: August 17, 2004

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Daily update *Other formats:* [Screen reader](#) | [ASCII](#)

The weekly release is posted on Monday. Daily updates of the weekly release are posted Tuesday through Friday on this site.

H.15 DAILY UPDATE: WEB RELEASE ONLY
SELECTED INTEREST RATES

For immediate release
August 17, 2004

Yields in percent per annum

	2004 Aug .16	2004 Aug 17	2004 Aug 18	2004 Aug 19
Instruments				

Treasury constant maturities

Nominal 10

1-month	1.36
3-month	1.49
6-month	1.77
1-year	2.01
2-year	2.51
3-year	2.87
5-year	3.45
7-year	3.89
10-year	4.26
20-year 11	5.06

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Reuters Corporate Spreads for Utilities

Spreads compiled using : Refresh Download sp

Rating	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	30 yr
Aaa/AAA	3	5	6	08	17	23	45
Aa1/AA+	13	16	18	30	32	37	57
Aa2/AA	20	22	24	32	37	50	66
Aa3/AA-	25	29	29	37	45	62	85
A1/A+	28	34	33	50	55	77	87
A2/A	31	34	35	54	59	80	89
A3/A-	40	45	48	62	72	80	107
Baa1/BBB+	54	65	68	84	89	96	116
Baa2/BBB	67	76	82	94	100	121	133
Baa3/BBB-	73	92	94	102	110	133	141
Ba1/BB+	315	387	370	302	245	275	230
Ba2/BB	325	350	375	305	205	210	260
Ba3/BB-	305	330	350	325	220	265	320
B1/B+	385	425	555	460	315	375	300
B2/B	515	540	605	510	320	445	470
B3/B-	590	620	710	610	470	545	620
Caa/CCC	680	750	855	810	595	620	720

Note: Reuters Evaluator spreads for bullet bonds.

Other Corporate Bond Spreads

Banks
Financials
Industrials
Transportation

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 Reuters Customer Zone or call the Reuters Fixed Income Department at 1-800-REUTERS
 (738-8377).

Exhibit 6

BAY STATE GAS COMPANY
PRO FORMA BALANCE SHEET [1]
AS OF DECEMBER 31, 2004

	PROJECTED DECEMBER 2004	ADJUSTMENTS	PROFORMA
ASSETS			
Property, Plant and Equipment [2]	\$1,219,797,000		\$1,219,797,000
Accumulated Depreciation/ Amortization [3]	<u>(366,349,000)</u>		<u>(366,349,000)</u>
Net Property, Plant and Equipment	853,448,000		853,448,000
Total Current Assets	192,997,000		192,997,000
Regulatory Assets	34,829,000		34,829,000
Other Non-Current Assets	<u>7,616,000</u>		<u>7,616,000</u>
Total Assets	\$1,088,890,000		\$1,088,890,000
CAPITALIZATION AND LIABILITIES			
Common Stock	\$100		\$100
Additional Paid-In Capital [2]	402,902,000		402,902,000
Retained Earnings	<u>26,902,900</u>		<u>26,902,900</u>
Total Equity	429,805,000		429,805,000
Long-Term Debt	98,500,000	120,000,000	218,500,000
Total Capitalization	528,305,000		648,305,000
Current Maturities [4]	10,000,000	(10,000,000)	0
Other Current Liabilities	290,196,000	(110,000,000)	180,196,000
Non-Current Liabilities	260,388,000		260,388,000
Total Capitalization and Liabilities	\$1,088,890,000		\$1,088,890,000

NOTES

[1] AMOUNTS REFLECT UTILITY PLANT AND CAPITAL FUNDS USED ONLY TO FINANCE THE MASSACHUSETTS UTILITY OPERATIONS OF BAY STATE GAS AND NOT THE CONSOLIDATED ENTITY. ACCORDINGLY, PLANT AND CAPITAL INVESTED IN SUBSIDIARIES HAVE BEEN EXCLUDED.

[2] AMOUNTS INCLUDE THE ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

[3] AMOUNTS INCLUDE THE AMORTIZATION ASSOCIATED WITH THE ACQUISITION PREMIUM.

[4] CURRENT MATURITIES IS COMPRISED OF A \$10 MILLION NOTE SCHEDULED TO MATURE ON 6/21/05. TO SHOW THE TOTAL EFFECT OF THE PROPOSED \$120 MILLION FINANCING, THE \$10 MILLION CURRENT MATURITY HAS BEEN PRO FORMED INTO THE 12/31/04 BALANCE SHEET.

BAY STATE GAS COMPANY
PRO FORMA BALANCE SHEET [1]
AS OF DECEMBER 31, 2004

	PROJECTED DECEMBER 2004	ADJUSTMENTS	PROFORMA
ASSETS			
Property, Plant and Equipment [2]	\$1,219,797,000		\$1,219,797,000
Accumulated Depreciation/ Amortization [3]	<u>(366,349,000)</u>		<u>(366,349,000)</u>
Net Property, Plant and Equipment	853,448,000		853,448,000
Total Current Assets	192,997,000		192,997,000
Regulatory Assets	34,829,000		34,829,000
Other Non-Current Assets	<u>7,616,000</u>		<u>7,616,000</u>
Total Assets	\$1,088,890,000		\$1,088,890,000
CAPITALIZATION AND LIABILITIES			
Common Stock	\$100		\$100
Additional Paid-In Capital [2]	402,902,000		402,902,000
Retained Earnings	<u>26,902,900</u>		<u>26,902,900</u>
Total Equity	429,805,000		429,805,000
Long-Term Debt	98,500,000	90,000,000	188,500,000
Total Capitalization	528,305,000		618,305,000
Current Maturities	10,000,000		10,000,000
Other Current Liabilities	290,196,000	(90,000,000)	200,196,000
Non-Current Liabilities	260,388,000		260,388,000
Total Capitalization and Liabilities	\$1,088,890,000		\$1,088,890,000

[1] AMOUNTS REFLECT UTILITY PLANT AND CAPITAL FUNDS USED ONLY TO FINANCE THE MASSACHUSETTS UTILITY OPERATIONS OF BAY STATE GAS AND NOT THE CONSOLIDATED ENTITY. ACCORDINGLY, PLANT AND CAPITAL INVESTED IN SUBSIDIARIES HAVE BEEN EXCLUDED.

[2] AMOUNTS INCLUDE THE ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

[3] AMOUNTS INCLUDE THE AMORTIZATION ASSOCIATED WITH THE ACQUISITION PREMIUM.

BAY STATE GAS COMPANY
COMPARISON OF NET UTILITY PLANT WITH CAPITAL [1]
AS OF JUNE 30, 2004

	<u>ACTUAL</u>	<u>\$110 MILLION NET INCREASE LONG TERM DEBT</u>
NET UTILITY PLANT		
Gas Inventories	\$29,625,138	\$29,625,138
Gross Utility Plant [2]	747,111,849	747,111,849
Depreciation/Amortization [3]	<u>(284,386,162)</u>	<u>(284,386,162)</u>
TOTAL NET UTILITY PLANT	\$492,350,825	\$492,350,825
PERMANENT CAPITAL		
Long Term Debt	\$108,500,000	\$218,500,000
Common Stock/APIC [4]	<u>146,765,658</u>	<u>146,765,658</u>
TOTAL PERMANENT CAPITAL EXCLUDING RETAINED EARNINGS	\$255,265,658	\$365,265,658
EXCESS OF NET UTILITY PLANT OVER PERMANENT CAPITAL	<u>\$237,085,167</u>	<u>\$127,085,167</u>

NOTES

[1] AMOUNTS REFLECT UTILITY PLANT AND CAPITAL FUNDS USED ONLY TO FINANCE THE MASSACHUSETTS UTILITY OPERATIONS OF BAY STATE GAS AND NOT THE CONSOLIDATED ENTITY. ACCORDINGLY, PLANT AND CAPITAL INVESTED IN SUBSIDIARIES HAVE BEEN EXCLUDED.

[2] GROSS UTILITY PLANT HAS BEEN ADJUSTED TO ELIMINATE THE ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO) AND FOR CONSTRUCTION WORK IN PROGRESS (CWIP)

[3] AMORTIZATION HAS BEEN ADJUSTED TO ELIMINATE THE AMORTIZATION OF THE ACQUISITION PREMIUM.

[4] DOES NOT INCLUDE PREMIUM ASSOCIATED WITH SUBSIDIARIES AND ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

BAY STATE GAS COMPANY
PRO FORMA COMPARISON OF NET UTILITY PLANT WITH CAPITAL [1]
 AS OF DECEMBER 31, 2004

	<u>PROJECTED DECEMBER 2004 (Before Adjustment for Financing)</u>	<u>\$110 MILLION NET INCREASE LONG TERM DEBT</u>
NET UTILITY PLANT		
Gas Inventories	\$38,867,273	\$38,867,273
Gross Utility Plant [2]	767,619,899	767,619,899
Depreciation/Amortization [3]	<u>(300,695,240)</u>	<u>(300,695,240)</u>
TOTAL NET UTILITY PLANT	\$505,791,933	\$505,791,933
PERMANENT CAPITAL		
Long Term Debt	\$108,500,000	\$218,500,000
Common Stock/APIC [4]	<u>146,765,658</u>	<u>146,765,658</u>
TOTAL PERMANENT CAPITAL EXCLUDING RETAINED EARNINGS	\$255,265,658	\$365,265,658
EXCESS OF NET UTILITY PLANT OVER PERMANENT CAPITAL	<u>\$250,526,275</u>	<u>\$140,526,275</u>

NOTES

[1] AMOUNTS REFLECT UTILITY PLANT AND CAPITAL FUNDS USED ONLY TO FINANCE THE MASSACHUSETTS UTILITY OPERATIONS OF BAY STATE GAS AND NOT THE CONSOLIDATED ENTITY. ACCORDINGLY, PLANT AND CAPITAL INVESTED IN SUBSIDIARIES HAVE BEEN EXCLUDED.

[2] GROSS UTILITY PLANT HAS BEEN ADJUSTED TO ELIMINATE THE ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO) AND FOR CONSTRUCTION WORK IN PROGRESS (CWIP)

[3] AMORTIZATION HAS BEEN ADJUSTED TO ELIMINATE THE AMORTIZATION OF THE ACQUISITION PREMIUM.

[4] DOES NOT INCLUDE PREMIUM ASSOCIATED WITH SUBSIDIARIES AND ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

BAY STATE GAS COMPANY
STATEMENT OF *PRO FORMA* CAPITALIZATION
AS OF DECEMBER 31, 2004

PROJECTED DECEMBER 2004
(Before Adjustment for Financing)

ADJUSTED TO REFLECT \$110 MILLION
INCREASE LONG TERM DEBT

	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL
LONG TERM DEBT	\$108,500,000	35%	\$218,500,000	52%
COMMON STOCK	100		100	
ADDITIONAL PAID IN CAPITAL [1]	146,765,558		146,765,558	
RETAINED EARNINGS [2]	<u>56,027,929</u>		<u>56,027,929</u>	
TOTAL COMMON EQUITY	202,793,587	65%	202,793,587	48%
TOTAL PERMANENT CAPITAL	\$311,293,587	100%	\$421,293,587	100%

NOTES

[1] ADJUSTED TO ELIMINATE PREMIUM ASSOCIATED WITH SUBSIDIARIES AND ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

[2] ADJUSTED TO ELIMINATE RETAINED EARNINGS ASSOCIATED WITH SUBSIDIARIES AND ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

BAY STATE GAS COMPANY
STATEMENT OF *PRO FORMA* CAPITALIZATION
AS OF DECEMBER 31, 2004

PROJECTED DECEMBER 2004
(Before Adjustment for Financing)

ADJUSTED TO REFLECT \$90 MILLION
NET INCREASE LONG TERM DEBT

	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL
LONG TERM DEBT	\$108,500,000	35%	\$198,500,000	49%
COMMON STOCK	100		100	
ADDITIONAL PAID IN CAPITAL [1]	146,765,558		146,765,558	
RETAINED EARNINGS [2]	<u>56,027,929</u>		<u>56,027,929</u>	
TOTAL COMMON EQUITY	\$202,793,587	65%	\$202,793,587	51%
TOTAL PERMANENT CAPITAL	\$311,293,587	100%	\$401,293,587	100%

NOTES

[1] ADJUSTED TO ELIMINATE PREMIUM ASSOCIATED WITH SUBSIDIARIES AND ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

[2] ADJUSTED TO ELIMINATE RETAINED EARNINGS ASSOCIATED WITH SUBSIDIARIES AND ACQUISITION PREMIUM BOOKED DURING THE MERGER WITH NISOURCE, INC. (FORMERLY NIPSCO)

**UNANIMOUS WRITTEN CONSENT
IN LIEU OF SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF
BAY STATE GAS COMPANY**

The undersigned, being all of the directors of Bay State Gas Company, a Massachusetts corporation (the "Company"), do hereby consent and agree to the adoption of the following resolutions in accordance with the provisions of Chapter 156B, Section 59, of the General Laws of the Commonwealth of Massachusetts, in lieu of holding a special meeting of the directors of the Company:

VOTED: That the Company is hereby authorized, subject to the limitations set forth below, to borrow in the form of one or more (10, 15 or 20-year) promissory note(s) ("Debt Security") from NiSource Finance Corp. ("NiSource Finance"), an aggregate principal amount of not more than One Hundred Twenty Million and 00/100 Dollars (\$120,000,000) at interest rates reflective of market conditions at time of issuance, with such funds to be used in the Company's operations including any of the following purposes, but not limited to, repayment of outstanding short-term debt, refinancing of long-term debt and funding of utility plant property, on such terms and conditions as shall be determined by the President or Treasurer as prudent; and further

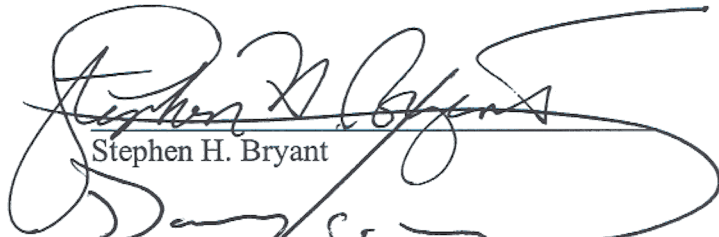

That the President, any Vice President or the Treasurer of the Company and/or their designees be and they are, and each of them singly is, hereby authorized in the name and on behalf of the Company to execute and file with the Massachusetts Department of Telecommunications and Energy ("MDTE") a petition for the authorization and approval for the issuance of such principal amount of Debt Security of not more than One Hundred Twenty Million and 00/100 Dollars (\$120,000,000) and that the same be and they are, and each of them singly is, hereby authorized in the name and on behalf of the Company to execute and file with the MDTE any amendments or supplements to said petition(s) as may be necessary or desirable in connection with the foregoing; and further

That the officers of the Company and/or their designees be, and each of them hereby is, authorized in the name and on behalf of the Company, to execute and deliver such other agreements, documents, certificates and instruments as may be required by the MDTE or NiSource Finance in connection with a Debt Security or as may be necessary or appropriate in connection with the issuance and sale of a Debt Security; and further

That NiSource Finance be, and it hereby is, authorized to rely and act upon, and shall be fully protected in so relying and acting upon, any instructions received by it and signed by any officer of the Company or by counsel for the Company, and to rely and act upon, and shall be fully protected in so relying and acting upon, any Debt Security, assignment, power of attorney, certificate, order, instruction, notice or other instrument or paper believed by it to be genuine and duly authorized and properly executed.

This Unanimous Written Consent may be separately executed by one or more of the directors of the Company and shall be filed with the minutes of the meetings of the Board of Directors of the Company.

Dated and Effective as of August 17, 2004


Stephen H. Bryant

Danny G. Cote

Being all of the Directors of the Company

ORDER OF NOTICE

D.T.E. 04-

August , 2004

Petition of Bay State Gas Company for authorization and approval, pursuant to G.L. c. 164, § 14, to issue long-term debt in the principal amount of up to \$120,000,000 and to be exempted from the requirements of G.L. c. 164, § 15.

Bay State Gas Company is required to publish the attached notice in the Springfield Union News, the Brockton Enterprise, the Lawrence Eagle Tribune, and the Boston Globe or the Boston Herald once at least fourteen (14) days prior to _____, 2004. Bay State Gas Company is require to make return service and publication at the time of the public hearing on _____, 2004.

By Order of the Department,

MARY E. COTTRELL, SECRETARY

NOTICE OF PUBLIC HEARING

D.T.E. 04-

, 2004

Petition of Bay State Gas Company for authorization and approval, pursuant to G.L. c. 164, § 14, to issue long-term debt in the principal amount of up to \$120,000,000 and to be exempted from the requirements of G.L. c. 164, § 15.

Bay State Gas Company (the “Company”) has filed a petition with the Department of Telecommunications and Energy (“Department”) requesting approval to issue long-term debt in the principal amount of up to \$120,000,000 for the purpose of refinancing outstanding debt.

The Department will conduct a public hearing on _____, 2004, at 10:00 a.m. at the Department’s offices, One South Station, 2nd Floor, Boston, Massachusetts 02110. Immediately following the public hearing, the Department will hold an evidentiary hearing on this matter.

The Company’s petition may be inspected at the Department’s offices, at One South Station, 2nd Floor, Boston, Massachusetts, Monday through Friday, between the hours of 9:00 a.m. and 5:00 p.m., and at the offices of the Company at Bay State Gas Company, 300 Friberg Parkway, Westborough, Massachusetts 01581.

Any person who desires to file written comments or to otherwise participate in this proceeding shall submit an original and two (2) copies of such written comments, or a written petition to intervene, no later than 5:00 p.m. on _____, 2004, with Mary L. Cottrell, Secretary, Department of Telecommunications and Energy, One South Station, Boston, Massachusetts 02110. One copy of all written comments or petitions to intervene should be sent to the Company’s attorney, James H. Keshian, Senior Attorney, Bay State Gas Company, 300 Friberg Parkway, Westborough, Massachusetts, 01581.

A petition for leave to intervene must satisfy the timing and substantive requirements of 220 C.M.R. § 1.03, including a description of the manner in which the petitioner is substantially and specifically affected by this proceeding. Receipt by the Department, not mailing, constitutes filing and determines whether a petition has been timely filed. A late filed petition may be disallowed as untimely, unless good cause is shown under 220 C.M.R. § 1.01(4). To be allowed, a petition under 220 C.M.R. § 1.03(1) must satisfy the standing requirements of G.L. c. 30 A, § 10.

All written comments or petitions to intervene should be submitted to the Department in electronic format using one of the following methods: (1) by e-mail attachment to dte.efiling@state.ma.us or (2) on a 3.5" disk, IBM-compatible format. The text of the e-mail or the disk label must specify: (1) the docket number of the proceeding (D.T.E. 04-), (2) name of the person or company submitting the filing, and (3) a brief descriptive title of the document. The electronic filing should also include the name, title and phone number of a person to contact in the event of questions about the filing. Text responses should be written in either Word Perfect (naming the document with a ".wpd" suffix), in Microsoft Word (naming the document with a ".doc" suffix), or as an Adobe PDF file (naming the document with a ".pdf" suffix). Data or spreadsheet responses should be compatible with Microsoft Excel. All written pleadings or comments submitted in electronic format will be posted on the Department's Website, <http://www.mass.gov/dpu>.